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*Local governments are developing real estate projects to increase revenues.*

# Public Land Development in the United States

David E. Dowall

*Cities and counties across the country are finding that joint public private development can relieve fiscal strain and enliven urban areas. The author surveys the state of this development and offers suggestions for both government and private developers.*

During the past year, a team of real estate and public finance and planning experts has worked for the County of Orange, California, advising it on a public sector real estate development program. In addition to the author, the team included the Management Advisory Services branch of Deloitte, Haskins and Sells, Professor H. James Brown of Harvard University's Kennedy School, and Neal Roberts, formerly of York University and now with Deloitte, Haskins and Sells.

The county requested the services of the consulting team because it recognized that it had reached a critical juncture in its development. The rapid growth of the county, located in southern California, during the 1960s and 1970s created an enormous demand for public services. In the boom years much of this growth was financed by development fees and charges. In many instances, in towns such as Mission Viejo and Irvine where development was large-scale, developers supplied the needed infrastructure. But today the growth rate is slower and the service needs cover both new and existing infrastructure, as older systems begin to reach the end of their useful lives. These needs have placed fiscal strains on the county at a time when Proposition 13 has undercut its revenue-generating capacity.

As a result of these pressures, the county began to consider alternative ways to increase governmental revenues. One area that was identified was property owned or leased by the county. According to a 1984 "Orange County Real Property Inventory Report," approximately 33,441 acres of land are owned and another 1,339 acres are leased over the long run by the county.

Orange County is embarking on the same course that has been taken by Los Angeles and San Francisco: public real estate asset management. To assist the county in its efforts the team surveyed public agencies across the nation to determine the best way to develop real estate jointly with the private sector. The survey included examining the organizational structure of existing efforts and determining the proper legal framework for public real estate development. We also asked agencies what skills they thought were necessary to carry out a joint development program, how to find developers

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and choose the right one, how to work with other public agencies involved in the project, and what is the best approach for structuring economic participation in the projects. This article describes a few joint development efforts across the nation and outlines a six-step process for implementing joint development.

## The Potential Opportunity

If professionals and academics had been asked ten years ago about the potential for public land development, most would have responded, "not much." Public land banking or joint development has been viewed in many areas of the nation as "socialism." Only with the actions of redevelopment agencies to clear blighted areas have cities engaged in land acquisition or development. In the early phases of redevelopment and urban renewal, derelict land was acquired and then sold through public bids to developers.

Recently, redevelopment agencies have become more creative in structuring land development agreements with developers. Many have shifted to ground leases to obtain a cash flow from projects. Instead of relying on tax increment revenues to support agency overhead and pay for additional land acquisitions, these agencies are discovering that income from ground leases can generate considerable net income. Along with this shift in redevelopment, transit districts discovered that their facilities create significant economic value and that the joint development of transit-oriented projects makes good economic sense. The overall result has been a virtual explosion of joint public/private real estate ventures across the United States.

According to the Urban Land Institute, prior to 1975 there were seventeen jointly developed mixed-use projects, by 1980 there were twenty-seven, and between 1982 and 1985 the number of such projects increased to eighty-four. Interest in California is particularly strong since the state has recently passed legislation permitting localities to establish disposition and development agreements (DDAs) in 1979. DDAs create the structure for local governments to enter into agreements with investors and developers. DDAs ensure that developers will make specific commitments and investments to projects for which they will receive low-cost government financing and other benefits. There are signs that other states are following California's lead: both Hawaii and Nevada are considering the adoption of DDAs.

An ongoing survey being conducted by researchers at the Institute of Urban and Regional Development at the University of California, Berkeley reveals the rapid growth of DDAs by California local governments. At least 110 local governments have adopted development agreements; sixty are in the process of adopting them. There are at least 200 projects utilizing DDAs, and there are 100 additional projects currently underway. The rate at which development agreements are being adopted and used is accelerating. In 1983, the State Office of Planning and Research found that only 27 local governments had adopted development agreement statutes; thus it can be seen that the number of cities and counties using DDAs has increased by nearly 400% over the past three years.

In California, development agreements are being used for a variety of projects and purposes: to provide security and vested rights to developers of large-scale multi-year projects; to negotiate unusual developer contributions (*e.g.*, public golf course, low cost housing, major infrastructure) not customarily provided for by a developer under the locality's zoning or subdivision laws; as a "wraparound" security device for lenders and developers of projects that need additional certainty of project outcome; and as a tactic to frustrate citizen efforts to block projects by granting vested rights to a project. The types of projects covered by development agreements vary considerably, ranging from small apartment projects to complicated mixed-use projects, such as San Diego's Horton Plaza.

## The Advantages of Joint Public and Private Development

The prime motivation behind the proliferation of joint development projects is the significant benefits they confer on both the public and private sector participants. Essentially they offer a framework for structuring partnership arrangements between developers and governments that codify the "quid pro quos" associated with a joint-development project. The advantages to developers and investors are substantial and include:

1) *Access to lower cost funds* By entering into a development agreement, developers fre-

quently obtain access to tax exempt financing sources that reduce the cost of debt needed for projects. In California, many projects involve low and moderate income housing in exchange for mortgage revenue bond financing. These tax exempt funding sources lower interest rates by 250 to 300 basis points, making projects more feasible and profitable.

2) *Risk sharing* Many of today's large-scale multi-year projects are extremely risky. Citizen opposition can develop quickly and pressure to kill projects can surface almost overnight. Through a partnership with the public sector, projects can be either approved prior to consummating a development agreement or granted vested rights, guaranteeing them the future right to be developed. Short of obtaining vested rights or early project approval, governments can frustrate citizen pressures to stop projects more effectively than can private developers.

   Large projects are often difficult and risky to complete because the actual net operating income that will be generated is unknown or impossible to forecast. Such risk can be shared with the project sector if a ground lease is based on a percentage of actual net operating income. While such leases are difficult to obtain from private landowners (they usually require a minimum ground rent along with a percentage) governmental landlords are more likely to agree to this option if the uncertain uses are desirable from a public policy perspective.

3) *Zoning concessions* A private developer may have to have the land he wants to develop rezoned to a higher, more intense use. Absent a joint partnership, it may be difficult to obtain development permission from government. On the other hand, if the project is jointly sponsored, rezoning is easier to obtain. However, more often than not, there are multiple governmental agencies involved in the approval of projects and it is not always the case that a developer's public partner can effortlessly "deliver" the rezoning.

4) *Access to large parcels* Quite often the public sector is in control of large parcels or large assemblies of parcels that offer much development potential. In recent years excess port land, rail yards, school sites, military bases, and rights-of-way have been subject to joint developments. Universities across the nation have been developing excess lands for financial gain and also to enrich their research ambience.

On the public side there are numerous benefits associated with collaborating on joint development projects:

1) *Urban redevelopment* Historically, the principal reason governments attempted to attract developers was to redevelop derelict areas. This reason still holds
2) *Obtain development expertise* Local governments do not have development expertise on staff. By linking up with a developer, public agencies can work with land development professionals.
3) *Increased tax base* Joint development projects will increase land values, which will generate increased property and sales tax revenues.

*The prime motivation behind the proliferation of joint development projects is the significant benefits they confer on both the public and private sector participants.*

4) *Financial gains* As joint development begins to rely more on ground lease and participations in the net operating income of projects, public development corporations will have significant cash flow gains.
5) *Development of public spaces* In a joint development project it is often possible, through negotiation, to convince the developer to construct new public spaces, such as plazas or parks, or to refurbish existing ones, such as historic districts.

## Examples of Joint Development Projects

In this section a brief review of six joint development projects is presented. These projects were chosen from surveys of over fifty joint development operations as being the most attractive models of joint development for application to Orange County. Later sections describe governmental organization, developer selection, negotiation process, the financial terms, and conditions of typical projects.

- ☐ **Los Angeles County** The county has recently granted a 66 ground lease to the Long Beach/Signal Hill Business Center, a development of Goldrich Kest & Appel. This is the first completed project of the county's Asset Management Program. The site consists of 26 acres of property in the cities of Long Beach and Los Angeles. The site was formerly occupied by the Los Angeles County Long Beach General Hospital. The developer will build a 645,000-square-foot office and retail space project on the site. The county owns the land, but since the site is in the City of Long Beach the city controls the land use planning and zoning applicable to the site. In addition, part of the site is under the jurisdiction of the Signal Hill Redevelopment Agency. Thus three governments were involved in the project approval process.
- ☐ **City of Fairfield, California** Located northeast of San Francisco, the City of Fairfield was one of the first local governments in the state to enter into a joint development agreement with a private developer, in 1976. The project it developed was a regional shopping center with Ernest W. Hahn Corporation. The 100-acre site is located entirely in the City of Fairfield's Redevelopment District and has excellent freeway access and exposure. The developer approached the city with the idea for the project; the city redevelopment agency assembled the parcels for the project, created a tax increment district, floated bonds and entered into a joint development agreement. The project has developed into a unified activity center of retail shops, restaurants, offices, and ultimately a hotel.
- ☐ **State of California, Department of Transportation** The Transportation Department, "Caltrans," owns considerable excess land in and around the state's system of highways. In recent years, the Department has begun offering long-term air rights leases over its developable sites. Two recent projects are of interest because of their scale and location. One site, of 60,000 square feet, is located at 101 and Vermont Avenue in the City of Los Angeles. This site was initially needed for a clover-leaf interchange, but the project was abandoned. The developer of the site has proposed a 200-room hotel. The second site is also located in Los Angeles, at the intersection of the Harbor Freeway and 5th Street downtown. The 90,000-square-foot site is excess right-of-way, and the developer is proposing to build an office building and a 300-room hotel. The land use planning and zoning jurisdiction over the sites rests with the City of Los Angeles. Neighborhood opposition (in the form of a major corporation located in a nearby office building) has surfaced in the downtown site approval process.
- ☐ **Washington Metropolitan Area Transit Authority** Charged with operating the Metro subway system of Washington, D.C., WMATA is attempting to capture the value its transit stations confer on property. In the mid-1970s, WMATA began a joint development program to maximize the revenue potential of WMATA-owned real estate. During the past decade, WMATA has successfully developed seven revenue-producing sites: Farragut North, Van Ness-UDC, McPherson Square, Bethesda, Metro Center, New Carrollton, and Friendship Heights. The sites are all located at station entrances and range in size from 8,535 to 156,241 square feet. The sites have been developed into office buildings, mixed-use projects, or parking facilities.
- ☐ **New York City Public Development Corporation** The PDC is New York City's lead agency for real estate development. The PDC is a full-service, not-for-profit economic development corporation created to promote real estate development that will create jobs, generate investment and increase the city's tax base. The PDC works with private developers and businesses and coordinates the city's programs to facilitate the development of commercial and industrial development. While the agency has sparked the construction of numerous projects, a recent project in the air rights over the entrance of the Brooklyn Battery Tunnel is illustrative. The site will support 1,200,000 square feet of

office space and the PDC has negotiated a development agreement where the contractor/developer will be the anchor tenant in the first phase of the project.

- **Port of San Diego** The agency known as the Port of San Diego was created in 1962 by an act of the state legislature to manage the harbor, operate the airport and administer the public lands surrounding San Diego Bay. The Port District covers portions of the Cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado. Based on a master plan prepared by a real estate consulting firm, several sites were designated for commercial and retail development. Two recent projects include an hotel and recreational complex and a 500- to 600-slip marina complex containing office and retail space.

## How Governments Organize Themselves to Perform Joint Development

Typically, the surveyed local governments have set up a separate entity to engage in public real estate development. Los Angeles, New York City, and many of the others have established separate operations. The establishment of a separate operation creates independence of action that is often necessary for flexibility in responding to development opportunities and negotiations. By starting out as a separate entity, it also reduces the dependence on staff from other agencies to inform decision-making. Perhaps the main reason setting up an independent organization to engage in joint development is that it insulates delicate negotiations from the constant scrutiny of the public. To the extent that staffing budgets are sufficient, it is often easier to hire real estate and land development professionals when the organization is independent than would be the case if the operation is entrenched in a large governmental bureaucracy.

There are some problems associated with setting up separate real estate development entities, however. The first and most frequently cited claim is that independent organizations, such as the Urban Development Corporation of New York State, New York City's PDC, Los Angeles' Asset Management Program, and the City Centre Development Corporation of San Diego, are too independent and ignore citizen concerns. The current controversy over PDC's 42nd Street project in New York City is a case in point.

Another problem that can arise is that a separate agency may have a difficult time getting the traditional governmental departments to review plans and process permits. This potential problem has inclined some communities, such as the City of Fairfield, to operate the joint development operation out of the city manager's office. With the proposal by the Hahn Corporation to establish a joint arrangement, the City Manager established an *ad hoc* group of department heads to work with the developer. This group process is still used to structure joint projects.

*The establishment of a separate operation to engage in public real estate development creates independence of action necessary for flexibility.*

Other approaches to joint development are managed directly out of existing departments. The three transportation agencies included in this survey all operate their respective joint development programs with existing staff. An audit of the WMATA effort was very positive of this internal arrangement. On the other hand there is some concern that the California Department of Transportation program is not well suited to more complex efforts.

A major issue that has much bearing on the organizational structure of any public real estate development operation centers on the potential conflict that arises when a public agency starts to develop land. What happens to the objectivity of public planning and zoning oversight when one of its own projects is under review? For this reason, the separation of public real estate development from public land development regulation is necessary.

Overall, the approach taken by these various agencies seems to be either to start a new operation or to expand an existing one. While either approach can be successful, it is important to recognize that joint development requires a skillful staff, sufficient resources, and freedom of action to execute programs to achieve broadly defined public policy goals.

In order to establish a competent public sector joint development team professionals from a variety of areas are necessary: market feasibility and market demand analysis, architectural design and site planning, land use and zoning requirements, real estate financial feasibility, appraisal, project management, real estate law, and property management. Having a team with these skills is important, otherwise the public agency will not be in a strong position to determine site feasibility, to choose competent developers, or to effectively negotiate a joint development agreement.

How these skills are obtained varies. It is most effective to have a core staff of several professionals trained in real estate development and planning and then to hire consultants to provide the needed expertise on an as-needed basis. Los Angeles County preselects consultants to work on projects as necessary, thus avoiding the time delays associated with contracting at the time expert advice is needed. Most agencies, with very few exceptions, retain legal and real estate advice from outside firms. Real estate consultants are used to determine the highest and best use of sites, evaluate developer proposals and assist in the negotiations of leases and financial participation.

## Developing a Work Plan for Joint Development

Based on our assessment of other joint development programs we recommend a six step work plan:

1) assess real estate resources and identify revenue opportunities;
2) prepare market, financial, design feasibility analyses and appraisals, and choose method for developing real estate resources;
3) solicit developer proposals;
4) evaluate developer proposals and select developer;
5) negotiate and document joint development agreement;
6) monitor the development and use of public real estate.

### Assessing the Public Land Inventory

In most cases, sites have been in the control of the public for some time. Many sites were initially acquired for public works projects and as plans changed were no longer needed. Others were used for public purposes such as schools or hospitals, which, due to changing demographics, are no longer needed. In the case of WMATA, parcels next to stations, acquired for construction marshalling, were used for development. There are exceptions to exceptions to this rule, such as the City of Fairfield, where the developer requested that the City assemble the land for the shopping center.

Since in most cases the government controls the land, the joint development process begins by determining potential uses for the site or sites and then it seeks out qualified developers. Before reviewing the actual process of developer selection it is important to outline the preliminary steps leading up to the selection.

In the case of the Los Angeles Asset Management Program, the local government begins by assessing its inventory of surplus property. In Orange County, we have recommended a careful process for identifying real estate revenue opportunities.

In order to properly gauge the potential of publicly held or controlled sites, it is essential to first evaluate the public land inventory. At a minimum, the evaluation should enable staff or consultants to categorize sites according to the following criteria:

1) sites that are fully developed and have no potential for additional intensive use;
2) partially developed sites that have private development potential;
3) undeveloped sites that must be exclusively used for public purposes;
4) undeveloped sites with some potential for developing a combination of public and private uses; and
5) undeveloped sites with potential for developing private uses.

In putting sites into these categories, local zoning, land use planning, and community development goals must be carefully considered and used to determine the possible uses for the site. Preliminary assessments of site development feasibility should also be made to determine whether the site can produce sufficient cash flow to cover construction costs and lease payments to the government.

**Prepare Market, Financial, and Design Studies**

Once sites have been categorized, those within categories two, four, and five should be more carefully evaluated. Each site's physical development potential in terms of soil conditions, availability of utilities, and transportation access should be determined. Next a market assessment should be conducted to determine potential uses for the site. The potential revenue, through a ground lease or sale associated with developing feasible uses on the site should be estimated. Based on these income and value estimates and public policies regarding community development needs, the sites should be ranked for their development desirability.

While the inventorying process seems straightforward, many local governments do not know how much public land they own. In many communities land is managed by several departments such as public works, parks and recreation, housing and community development, and transportation, and there is no formal master list of property or an assessment of its potential financial value. Fairfield, for example, had no master list of properties until the Hahn Corporation's approach made them realize the potential of joint development.

Some agencies are reluctant to rigidly determine the highest and best use on sites, leaving the developer to determine the best use. While such an approach offers much flexibility to the developer it has two serious negative aspects. First, by putting the responsibility on the developer, the developer-identified highest and best use may not be in the community's best interest. For example, the developer may advocate a particular use because it is profitable and offers the lowest potential downside risk. There may be other feasible uses that are more attractive to the community that were ignored by the developer because they were more risky. Secondly, some developers are not interested in spending the time and the money to do a market study. They view the lack of market feasibility information as a sign of limited public support for the project. Developers also see that they may have to take the heat for advocating a particular use that some members of the community find undesirable. Thirdly, by shifting critical decisions to the back end of the development process, the risks of the process breaking down will be greater. By doing the feasibility assessments early in the process, the risk of wasting time and resources on infeasible projects will be reduced.

Once the feasibility assessments have been conducted, the public agency should determine the type or range of projects they want to develop on the site. The decision should be based on not just the economic and financial analysis of project performance but should also incorporate environmental and community impacts as well. These broader assessments may require the completion of environmental impact and planning studies to determine the range of potential effects likely to be created by joint development projects. Should the site be located in another political jurisdiction, appropriate agencies should be contacted to gauge their reactions to the project and to determine whether it conforms with their zoning and planning regulations.

Finally, the government's joint development team should decide on the type of partnership arrangement they wish to establish with the developer and whether it will be in the form of a long term ground lease or a sale of the land with some form of equity participation in the project. Once these decisions have been made a developer can be selected.

**Solicit Developer Proposals**

Having decided what type of project the public agency wants and the general characteristics of the structure of the private partnership, the agency can solicit developers to participate in the project. Regardless of the approach of solicitation, it is extremely important that the public agency develop an accurate description of what type of project and partnership it wants to establish.

There are two types of solicitations that are generally used to attract developers. The first and most straightforward approach is to issue a request for qualifications or "RFQ." This approach invites developers to submit detailed statements of qualifications describing their development experience, their financial strength, and their ability to work with the public sector agencies in a joint development relationship. The RFQs usually do not ask the developer to prepare a detailed plan or proposal of how they would develop the site.

The second method of soliciting developer proposals is to issue an "RFP" or Request for Proposals. The RFP asks developers to submit a detailed proposal of how they would develop the site. The response is usually quite extensive, including materials on market feasibility, urban design and architecture, and financial performance as well as a detailed statement of qualifications of the developer.

Based on the responses to either an RFQ or RFP, the public agency then selects the developer. At this stage the selected developer is given the exclusive right to negotiate with the public agency, usually for some period of time.

Both approaches have advantages and disadvantages. The RFQ approach is faster, both in terms of preparing the announcement and in responding. It is also less expensive for developers to respond to and for public agencies to evaluate. RFQ responses are also easier to evaluate. One has only to assess the developer's track record and appropriate experience and not struggle to compare detailed and frequently extremely different proposals. In fact one of the biggest problems with the RFP approach is that the submissions are so different that "apples to apples" comparisons cannot be made. One public agency, the San Diego Port, solves this problem by issuing extremely detailed RFP so that each bid is the same.

The RFP does have a number of advantages. First, it provides the requester with detailed information about the developer's approach. Second, by receiving multiple responses to an RFP, a variety of different approaches become available to the public agency. Third, the RFP will force the developers to prepare a competitive response that may be more beneficial than one which would be negotiated following an RFQ process.

On the negative side, the RFP process is expensive and it may preclude some firms from responding, particularly if many firms are expected to make admissions. Because of this problem many agencies, such as the Community Renewal Agency of Los Angeles, use a two-step process blending both the RFQ and the RFP. This approach uses the RFQ to narrow the field of firms that will be invited to submit a detailed proposal.

At a minimum, the RFP should contain the following information: (1) background of the project, description of site, development potential and public agency expectations for development; (2) description of the developer selection process; (3) guidelines for what the statement of qualifications should contain; and (4) guidelines for describing the proposed project. Overall the RFP should provide enough information as to the requirements of response and about the project, that each developer will be able to respond in a consistent and thorough manner.

Los Angeles County uses a two-step selection process inviting developers to submit statements of qualifications and then narrowing the field for the RFP process. The City of Fairfield scouts out developers for projects and then encourages them to respond to an RFP. Caltrans uses two approaches for selecting developers. For small projects it determines the best development potential and then it puts the project out to bid. For larger projects it invites developers to enter into an exclusive period to negotiate over a project. These developers must be willing to expend funds on planning studies to "ripen" the project. WMATA uses a one-stage RFP process and requires that developers submit a $100,000 deposit, letter of credit, or bid bond with their proposal. PDC, on the other hand, uses a two-staged RFQ and RFP process. The Port of San Diego uses a process that approaches traditional bidding. Port staff prepares a detailed RFP (sometimes approaching 400 pages in length), precisely outlining development parameters and lease arrangements.

**Select Developer**

Based on responses to the one-staged or two-staged selection process, the public agencies evaluate developer submissions. Each agency uses slightly different methods to evaluate submissions, but all essentially focus on developer track record, financial strength, and the quality and financial performance of the project. Los Angeles County uses a team to numerically rate each submission. The team recommends one developer to the County Board of Supervisors for execution of the exclusive contract. WMATA is especially concerned about minority participation in projects and includes this with the standard criteria. The winning developer receives an exclusive contract to negotiate with the public agency for a period of several months to sometimes over one year depending on the complexity of the project.

**Negotiation of a Joint Development Relationship**

Most public agencies assemble a team of experts to assist in the negotiation of a joint development partnership. PDC is the one exception, using its large and sophisticated staff to analyze developer proposals and assess the financial implications of alternative ways of structuring the partnership. The most often used outside experts are real estate economists and lawyers.

The essential business points of a joint development negotiation center on the following issues: (1) what the government will contribute to the project in terms of land, infrastructure, and financing; (2) what the role and responsibility of the developer will be in terms of the type of project, time to develop the project, financing commitments, leasing up the space, and maintenance of the project; and (3) if the land owned by the government is to be leased to the developer, what will be the terms of the lease.

The negotiation process culminates in a disposition and development agreement, outlining when and under what conditions the land will be transferred to the developer (either a leasehold or fee interest) and what the terms and conditions of the joint development partnership will be in terms of performance and division of cash flow. A ground lease or a participation agreement are normally included as appendices to the DDA.

While it has not always been the case, governments normally retain a fee interest in the land and provide the developer with a long-term ground lease. The normal structure of the ground lease includes three to four types of rent: holding rent of some minimum amount to cover the period during which the project is under construction and leasing up; fixed ground rent, a set monthly payment to be paid once the project is operational and periodically (usually every 10 years) adjusted to reflect the market value of the land; and a percentage rent based on the net or gross operating income of the project (the percentage rent is net of the fixed rent). In some instances the ground lease provides for a fourth type of rent: the payment of a bonus rent should the project be sold or refinanced and profits accrue to the developer.

The amounts and percentages associated with these types of rent vary from project to project and with the types of uses occupying the project. Holding rents may range from a low of 1% to a high of 6% of the value of the land. The figure is set not just to generate cash flow from the project but to create the incentive to complete the construction of the project as quickly as possible. Fixed rents are usually set at a level reflecting between 5% and 12% of land value. The percentage rents vary between 6% and 20% of net or gross operating income. Bonus rents vary tremendously, but many public agencies attempt to obtain a 15% to 20% participation in sales or refinancing.

When negotiating, it is important for the public agency to have determined its goals for the negotiation. Fairfield, for example, looks for projects to generate a minimum of 15% per year return on the value of the land and other public investments. Some agencies are looking for public park space, minority hiring programs, moderate cost housing, and other public benefits as well as some cash flow. It is important to recognize what are the financial implications of these desired outcomes and how they affect the net operating income of the project. It is also important to understand the goals of the developer in terms of return on investment, time, and risk. By understanding the public and private goals for the project, the negotiations can proceed so as to increase the payoffs for both parties.

In the course of negotiations, public agencies sometimes overlook or underestimate the value of what they are bringing to the partnership. It is important to estimate the value of guarantees to provide tax exempt financing, loan guarantees, subordination of fee interest in land to lender, infrastructure, rezoning, off-site improvements, and the "fast track" approval of the project before going into the negotiations so that the agency can position itself for obtaining an appropriate share of the proceeds of the project.

### Monitor the Development and Use of the Site

Finally, after the project has been built and the buildings and improvements are occupied, the public agency should constantly monitor the operation of the project. Lease payments should be monitored and audits of the operations should be periodically made. A lease administrator should insure that all conditions to the lease are met and that the project is managed to generate maximum cash flow from operations.

## Conclusions

The survey conducted for Orange County

California generated a clear picture of the type of public land development agency that is best suited for carrying out joint development projects. In the final phase of the project we have prepared a manual for the County to use as a guide for establishing a land development agency. This manual describes in detail the organization and workplan issues of running a joint development program as outlined above.

In addition, the consultant team has worked with the California State Department of Commerce to establish a clearinghouse for public agency land development activities across the state to disseminate information on DDAs, leases, staffing and organizational issues, negotiation strategies, and developer profiles. Interest for such an agency is high and we have received over 200 requests for information about the clearinghouse.

In conclusion, it appears that public land development, by way of joint partnerships with private developers, is spreading across the nation as communities seek new sources of public revenues and attempt to promote economic development.

**Appendix**

Approximately 50 governmental, professional, and private organizations were interviewed for the Orange County Study. A list of completed interviews follows:

City of New Haven, CT
Public Development Corporation, New York City
New Jersey Transit Authority
Fulton County (Atlanta), GA
Suffolk County, NY
La Brea, CA School District
Santa Monica, CA
City of Hayward, CA
Port of Oakland, CA
City of Berkeley, CA
Marin County, CA
City and County of San Francisco
San Francisco Redevelopment Agency
Alameda County, CA
Contra Costa, CA
San Diego County, CA
Riverside County, CA
Los Angeles County, CA
Los Angeles Community Development Corporation
Los Angeles Community Renewal Agency
Caltrans
San Diego Unified School District
Port of Long Beach, CA
City of Cincinnati, OH
City of Chicago, IL
The Irvine Corporation
City of Concord, CA
City of Seattle, WA
Pacific Mutual Corporation
Ninth Square Association
Prudential Life Insurance Company
Southeastern Pennsylvania Transportation Authority
Massachusetts Bay Transportation Authority
Washington, DC Metro
International City Managers Association
American Society of Public Administrators
National League of Cities
California Association of Local Economic Development
City and State Journal
Urban Land Institute
Council of Urban Economic Development